

D.P.U. 94-175

Application of Eastern Edison Company, under the provisions of the Company's tariff, M.D.P.U. 245, for approval to implement the Company's temporary Purchased Power Cost Adjustment Factor E-10.

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FOR: EASTERN EDISON COMPANY
Applicant

I. INTRODUCTION

On November 21, 1994, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00, Eastern Edison Company ("EECo" or "Company") applied to the Department of Public Utilities ("Department") for approval to implement a decrease in its purchased power cost adjustment ("PPCA"). The decrease represents the Company's proposal to replace the existing PPCA Factor E-8R with a proposed PPCA Factor E-10, based on a decrease in EECo's demand costs under its wholesale tariff from Montaup Electric Company ("Montaup"). The Company requested that the decrease be applicable to usage on or after January 1, 1995. The matter was docketed as D.P.U. 94-175.

EECo is a wholly owned subsidiary of Eastern Utilities Associates ("EUA"), a utility holding company. EUA's other subsidiaries, affiliates of EECo, include Blackstone Valley Electric Company ("Blackstone") in Rhode Island, and EUA Service Corporation ("EUASC"), which provides engineering, technical, and other services for the EUA companies. Montaup Electric Company ("Montaup") is a wholly owned subsidiary of EECo and supplies power to EECo, Blackstone, and certain municipal electric utilities. EECo purchases all of its power requirements at wholesale from Montaup pursuant to rates regulated by the Federal Energy Regulatory Commission ("FERC"). Thus, EECo does not own or operate any power generation units of its own. EECo serves, on average, 204,000 customers in its service territory, which includes over 20 cities and towns in southeastern Massachusetts.

Pursuant to notice duly issued, a public hearing on the

Company's application was held on December 12, 1994, at the Department's offices in Boston. Notice of the hearing was published by the Company in the Fall River Herald News, the Quincy Patriot Ledger, the Brockton Enterprise, and the Boston Herald.

At the hearing, the company sponsored one witness: Mark Sorgman, supervisor of rate administration for EUA. The Company submitted one exhibit: Exhibit EE-1, a multi-page document entitled "Purchased Power Cost Adjustment Filing Factor E-10," which includes the testimony of Mr. Sorgman, six schedules, and two appendices.

II. BACKGROUND

EECo's PPCA is designed to recover Montaup's demand-related charges to EEC Co. The PPCA is derived from two components: (1) Montaup's base demand charge; and (2) Montaup's purchased capacity demand charge.

Montaup recovers the cost of power it generates through a FERC-approved base demand rate. However, Montaup also seeks alternate sources from which to purchase power in order to meet the contracted power supply demands of its affiliates. As a result, each year, Montaup solicits cost estimates from alternate power suppliers. These estimates of annual cost are the basis of the Montaup's purchased capacity demand charge.

Annually, Montaup files at the FERC for an adjustment to the purchased capacity demand charge to become effective January 1. FERC reviews and approves the change in Montaup's purchased

capacity demand charge which also is referred to as an adjustment of Montaup's purchased capacity adjustment clause ("PCAC") rate. Under the terms of the PPCA clause in EEC's tariff M.D.P.U. 245, whenever there is a decrease in Montaup's purchased capacity demand charge, EEC is required to file for a revision to its PPCA.

III. THE COMPANY'S PROPOSED PPCA E-10 FACTOR

On November 1, 1994, Montaup filed with the FERC a proposed PCAC charge of \$16.44554 per kilowatt ("KW") per month for calendar year 1995 (Exh. EE-1, at 3). On December 30, 1994, the FERC issued an Order ER95-129-000 ("FERC Approval") authorizing Montaup to revise its PCAC rate effective January 1, 1995 (FERC Approval at 4).

According to the Company, there are two major factors contributing to the decrease in Montaup's PCAC rate^{id.} at 4). First, the projected capacity charges contained in Montaup's 1995 PCAC filing represent a total decrease of 4.2 percent compared to the projected purchased capacity cost contained in the 1994 PCAC filing (id.). Mr. Sorgman stated that the projected decrease in capacity charges can be attributed primarily to the Northeast Utilities Slice of System contract ending in 1995 (Tr. at 6). Second, projected M-rate billing demands for 1995 remain unchanged (Exh. EE-1, at 4). According to the Company's forecasting department, there will be no major change in sales for 1995, since M-rate billing demand remains fairly flat (Tr. at 6). Therefore, the Company maintains that decreased

capacity costs spread over a constant base result in a lower Montaup PCAC (Exh. EE-1, at 4).

EECo provided schedules in support of its proposed PPCA Factor E-10, based on Montaup's 1995 PCAC filing approved by FERC (Exh. EE-1, Schs. 1-6). The incremental cost of the purchased capacity demand charge associated with PPCA Factor E-10 over the level of purchased capacity demand charge currently included in EECo's base rates is \$0.060213 per KW id., Sch. 2). This amount is then multiplied by the 1994 billing demand of 4,513,140 KW (id.). Finally, this product is divided by total 1994 sales of \$2,556,236,993 kilowatthours ("KWH"), resulting in the proposed PPCA Factor E-10 of \$0.00106 proposed by the Company id.).

EECo's proposed PPCA Factor E-10 of \$0.00106 per KWH represents a decrease of \$0.00130 per KWH from the Company's present PPCA Factor E-8R id. at 3). In addition to PPCA Factor E-8R, EECo's present total PPCA includes Factor E-9, a credit of \$0.00431 per KWH, which reflects Montaup's base demand charge (id., Sch. 1). Thus, EECo's PPCA Factor E-10, as proposed, would reduce EECo's total PPCA from the present credit of \$0.00195 per KWH to the proposed credit of \$0.00325 per KWH id., Sch. 5).

The Department finds that the Company's proposed decrease in its purchased power cost adjustment, which reflects the FERC-approved change in Montaup's PCAC is reasonable.

IV. ORDER

Accordingly, after due notice, public hearing, and consideration, it is

ORDERED: That Eastern Edison Company's proposed Power Cost Adjustment Factor E-10 proposed by Eastern Edison Company be and hereby is allowed; and it is

FURTHER ORDERED That a temporary Purchased Power Cost Adjustment Factor E-10 of \$0.00106 per kilowatt hour ("KWH") is permitted to become effective for Eastern Edison Company with respect to bills rendered on and after January 1, 1995 and shall be applied as a uniform charge to each KWH sold on the applicable rates that are subject to the Company's purchased power cost adjustment provisions.

By Order of the Department,

Kenneth Gordon, Chairman

Mary Clark Webster, Commissioner